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of the State of California
2 KAREN L. GAYSUNAS,
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3 Department of Justice
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4 Post Office Box 85266
San Diego, California 92186-5266
5 Telephone: (619) 645-2073
6 Attorneys for Complainant

7
8 **BEFORE THE**
9 **BOARD OF ACCOUNTANCY**
10 **DEPARTMENT OF CONSUMER AFFAIRS**
11 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation and)
Petition to Revoke Probation)
12 Against:)

CASE NO. D1-90-585

13 CARL S. ANDERSON)
P.O. Box 3491)
14 Riverside, CA 92519)

STIPULATION FOR VOLUNTARY
SURRENDER OF LICENSE

15 Certificate No. 10705)

16 Respondent.)
17

18 IT IS HEREBY STIPULATED AND AGREED BY AND BETWEEN THE
19 PARTIES TO THE ABOVE-ENTITLED MATTER THAT:

20 1. Carol B. Sigmann, complainant, is the Executive
21 Officer of the California State Board of Accountancy, Department
22 of Consumer Affairs ("Board") and is represented by Daniel E.
23 Lungren, Attorney General of the State of California, by and
24 through Karen L. Gaysunas, Deputy Attorney General.

25 2. Carl S. Anderson ("Respondent") is represented in
26 this matter by Robert Chandler, Esq. Respondent has carefully
27 read and fully understands the terms of this Stipulation and has
28 discussed with his attorney the effect of this Stipulation.

1 3. Respondent has received and read the Accusation and
2 Petition to Revoke Probation and the Amended Accusation and
3 Petition to Revoke Probation which are presently on file and
4 pending in Case Number D1-90-585 before the Board of Accountancy,
5 copies of which are attached as Exhibit A.

6 4. Respondent understands the nature of the charges
7 alleged in the Accusation and Petition to Revoke Probation and
8 the Amended Accusation and Petition to Revoke Probation and that,
9 if proven at hearing, such charges and allegations would
10 constitute cause for imposing discipline upon respondent's
11 license issued by the Board of Accountancy.

12 5. Respondent and his counsel are aware of each of
13 respondent's rights, including the right to a hearing on the
14 charges and allegations, the right to confront and cross-examine
15 witnesses who would testify against respondent, the right to
16 present evidence in his favor and call witnesses on his behalf,
17 or to testify, his right to contest the charges and allegations,
18 and other rights which are accorded to respondent pursuant to the
19 California Administrative Procedure Act (Gov. Code, § 11500 et
20 seq.), including the right to seek reconsideration, review by the
21 superior court, and appellate review.

22 6. Respondent understands that in signing this
23 stipulation rather than contesting the Accusation and Petition to
24 Revoke Probation and the Amended Accusation and Petition to
25 Revoke Probation, he is enabling the Board of Accountancy of the
26 State of California to issue its order accepting the voluntary
27 surrender of his license without further process.

28 / / /

1 7. In order to avoid the expense and uncertainty of
2 hearing, respondent freely and voluntarily waives each and every
3 one of the rights set forth above, and respondent hereby
4 voluntarily surrenders his Certified Public Accountant's
5 Certificate No. 10705 with charges pending for the Board's formal
6 acceptance.

7 8. Upon acceptance of the stipulation by the Board,
8 respondent agrees to surrender and cause to be delivered to the
9 Board both his license and wallet certificate. Respondent
10 further understands that when the Board accepts the voluntary
11 surrender of his license, he will no longer be permitted to
12 practice as a Certified Public Accountant in California.

13 9. Respondent agrees to reimburse the Board \$3,500.00
14 as and for the reasonable costs of the investigation and
15 prosecution of Case No. D1-90-585. Such reimbursement shall be
16 made by an initial payment of \$500.00 and monthly payments of
17 \$100.00 thereafter.

18 10. In consideration of the foregoing stipulation and
19 recitals, the Board upon formal acceptance of respondent's
20 voluntary surrender herein agrees to dismiss the Accusation and
21 Petition to Revoke Probation and the Amended Accusation and
22 Petition to Revoke Probation in Case No. D1-90-585 now pending.

23 11. By voluntarily surrendering his license with
24 charges pending, Respondent neither admits nor denies the
25 allegations contained in the Accusation and Petition to Revoke
26 Probation and the Amended Accusation and Petition to Revoke
27 Probation for purposes of settlement only. Respondent waives his
28 right to petition for relicensure or reinstatement in the future.

1 12. All stipulations and recitals contained in this
2 stipulation are made solely and exclusively for the purpose of
3 settlement of the Accusation and Petition to Revoke Probation and
4 the Amended Accusation and Petition to Revoke Probation in Case
5 Number D1-90-585 against Carl Anderson. In the event that this
6 stipulation is rejected for any reason by the Board, it will be
7 of no force or effect for either party.

8 I concur in the stipulation.

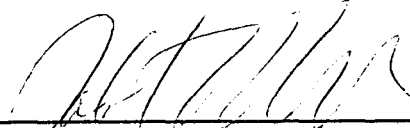
9 DATED: 11-3-95

10 DANIEL E. LUNGREN, Attorney General
11 of the State of California

12 
13 KAREN L. GAYSUNAS
14 Deputy Attorney General

15 Attorneys for Complainant

16 DATED: 3-31-95

17 
18 ROBERT CHANDLER
19 Attorney for Respondent

1 I, Carl Anderson, have carefully read the above
2 stipulation and enter into it freely on advice of counsel, and
3 with full knowledge of its force and effect, do hereby surrender
4 my certificate of licensure, number 10705, to the Board of
5 Accountancy, for its formal acceptance. By surrendering my
6 license, I recognize that upon its formal acceptance by the
7 Board, I will lose all rights and privileges to practice as a
8 Certified Public Accountant in the State of California.

9 DATED: March 30, 1995

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12 CARL ANDERSON
13 Respondent
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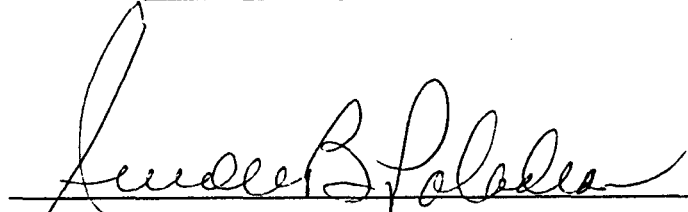
ORDER OF THE BOARD

The voluntary surrender of Certified Public Accountant Certificate Number 10705, by respondent, CARL ANDERSON, is accepted by the Board of Accountancy, of the State of California.

The Accusation and Petition to Revoke Probation and the Amended Accusation and Petition to Revoke Probation in Case Number D1-90-585 are dismissed.

This decision shall become effective on the 29TH day of December, 1995.

It is so ordered this 29TH day of November, 1995.

A handwritten signature in dark ink, appearing to read "Andrew B. Pollock", is written over a horizontal line.

FOR THE BOARD OF ACCOUNTANCY

KLG

03541110-SD94AD0251

1 DANIEL E. LUNGREN, Attorney General
of the State of California
2 KAREN L. GAYSUNAS, [State Bar No. 137969]
Deputy Attorney General
3 Department of Justice
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8 **BEFORE THE**
9 **BOARD OF ACCOUNTANCY**
10 **DEPARTMENT OF CONSUMER AFFAIRS**
11 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation and) NO. D1-90-585
Petition to Revoke Probation)
12 Against:)

13 CARL S. ANDERSON) ACCUSATION AND PETITION
P.O. Box 3491) TO REVOKE PROBATION
14 Riverside, CA 92519)
15 Certificate No. 10705)
16 Respondent.)

17
18 Complainant Carol B. Sigmann, as cause for disciplinary
19 action and revocation of probation, alleges:

20 **PARTIES**

21 1. Complainant is the Executive Officer of the
22 California State Board of Accountancy ("Board") and makes and
23 files this Accusation and Petition to Revoke Probation solely in
24 her official capacity.

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1 License Status

2 2. On or about March 22, 1964, the Board issued
3 Certificate No. 10705 (Certified Public Accountant) to Carl S.
4 Anderson ("respondent"). The certificate will expire on July 1,
5 1995, unless renewed.

6 3. On or about November 28, 1991, in case number 585,
7 respondent's certificate was revoked, but the revocation was
8 stayed and respondent's certificate was placed on three years'
9 probation. Respondent's certificate is still on probation at the
10 present time.

11 JURISDICTION

12 4. This Accusation and Petition to Revoke Probation is
13 made with reference to the following statutes of the California
14 Business and Professions Code ("Code"):

15 a. Section 5100 provides, in part, that the Board may
16 revoke, suspend or refuse to renew any permit or certificate
17 issued by the Board, or may censure the holder of any such permit
18 or certificate for unprofessional conduct.

19 b. Section 5107 provides, in part, that the Executive
20 Officer of the Board may request the administrative law judge, as
21 part of the proposed decision in a disciplinary proceeding, to
22 direct any holder of a permit or certificate found guilty of
23 unprofessional conduct in violation of section 5100(c), to pay to
24 the Board all reasonable costs of investigation and prosecution
25 of the case, including, but not limited to, attorney's fees. The
26 Board shall not recover costs incurred at the administrative
27 hearing.

1 c. Section 5062 provides that, "A licensee shall issue
2 a report which conforms to professional standards upon completion
3 of a compilation, review or audit of financial statements."

4 d. Section 5100(c) provides, in part, that gross
5 negligence in the practice of public accountancy constitutes
6 unprofessional conduct.

7
8 5. This Accusation and Petition to Revoke Probation is
9 made in reference to Section 58 of the California Code of
10 Regulations ("CCR"), title 16, which provides that, "In all cases
11 wherein an accountant's name is associated with financial
12 information, the report should contain a clear-cut indication of
13 the character of the accountant's association and the degree of
14 responsibility the accountant is taking."

15
16 PETITION TO REVOKE PROBATION

17 6. Probation should be revoked, the stay of revocation
18 should be vacated and respondent's certificate should be revoked
19 based on the following:

20 a. On March 7, 1990, an accusation was filed
21 against respondent in case number 585, seeking to discipline
22 respondent's certificate based on violations of the Business
23 and Professions Code. In or about August 1991, respondent
24 and his attorney signed a stipulated settlement in case
25 number 585. That settlement was adopted by the Board on
26 October 28, 1991, with an effective date of November 28,
27 1991. According to the terms of the settlement,

1 respondent's certificate was revoked, but the revocation was
2 stayed and respondent's certificate was placed on three
3 years' probation. Included in the terms of that probation
4 were the following:

5 1. Respondent shall be subject to, and shall
6 permit, a general review of the respondent's
7 professional practice. Such review shall be conducted
8 by representatives of the Board whenever designated by
9 the Administrative Committee, provided notification of
10 such review is accomplished in a timely manner.

11 5. Respondent shall obey all federal, California,
12 other U.S. states and local laws including those rules
13 relating to the practice of public accountancy in
14 California.

15 11. If respondent violates probation in any
16 respect, the Board, after giving respondent notice and
17 an opportunity to be heard, may revoke probation and
18 carry out the disciplinary order that was stayed. If
19 an accusation or petition to revoke probation is filed
20 against respondent during probation, the Board shall
21 have continuing jurisdiction until the matter is final,
22 and the period of probation shall be extended until the
23 matter is final.

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1 b. Between in or about June and September 1992,
2 respondent performed an audit of the financial statements of
3 the Riverside Humane Society for the Prevention of Cruelty
4 to Animals, Inc. ("Humane Society") for the fiscal year
5 ended June 30, 1992, and prepared a report dated 9/18/92.

6 c. Respondent's conduct in performing the audit
7 and documenting the audit in his working papers constituted
8 an extreme departure from the standard of practice of public
9 accountancy in the State of California in the following
10 respects:

11 1) Respondent did not document the planning
12 of the audit with respect to issues such as: assessed
13 levels of control risk, preliminary judgment of
14 materiality levels, financial statement items likely to
15 require adjustment, conditions that may require
16 extension or modification of audit tests and the
17 organization's accounting policies and procedures.

18 2) Respondent used a "questionnaire" to
19 obtain an understanding of the internal control
20 structure of the organization being audited. This
21 approach was deficient because i) respondent's working
22 papers contained no questionnaire for the fiscal year
23 audited. Respondent had a questionnaire from the year
24 before, but there was no indication in the working
25 papers that it was updated for the fiscal year in
26 question; ii) the questionnaire did not cover
27 sufficient areas to enable respondent to review and

1 gain an understanding of the control environment of the
2 Humane Society; iii) respondent did not assess the
3 control risk and the related impact on the assertions
4 embodied in the account balance, transaction class and
5 disclosure components of the financial statements; iv)
6 respondent's audit approach indicated that he had
7 assessed the control risk below the maximum level,
8 limiting the level of substantive testing done, but his
9 working papers did not contain evidence to support this
10 approach. In addition, certain items on the
11 questionnaire relating to internal controls were left
12 blank or answered "no", but respondent did not indicate
13 in the working papers what impact these weaknesses had
14 on the control risk and substantive testing. With
15 respect to the "yes" answers, respondent's working
16 papers contained no indication that he tested these
17 policies and procedures.

18 3) Respondent's working papers did not
19 adequately document substantive testing with respect to
20 revenues and expenditures, confirmation of accounts
21 receivable, existence of fixed assets and similar
22 things.

23 4) Respondent's audit program and working
24 papers did not contain audit procedures related to the
25 search for subsequent events (occurring between the
26 balance-sheet date and the date of the auditor's
27 report.)

1 d. Respondent's conduct in preparing and drafting
2 his report of the audit constituted an extreme departure
3 from the standard of practice of public accountancy in the
4 State of California in the following respects:

5 1) Respondent's audit report presented
6 supplemental information, including an insurance
7 coverage summary and documentation regarding society
8 consolidation, but the report did not state the degree
9 of responsibility respondent was taking or the
10 respondent's opinion on the supplemental information.

11 2) Respondent used an outdated internal
12 control report format. In addition, respondent's
13 internal control report contained no reportable
14 conditions and did not include a restriction on
15 distribution.

16 3) The statement of cash flows included with
17 the report contained several deficiencies in
18 presentation.

19 4) The summary of significant accounting
20 policies did not contain the required disclosures
21 related to accounting basis (i.e. accrual basis, cash
22 basis etc.) and the method or methods of depreciation
23 (straight line and/or accelerated) used by the Humane
24 Society.

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1 5) The notes to the financial statements do
2 not contain disclosures related to the \$135,181 prior
3 period adjustment, regarding the nature of the error
4 and the effect of the correction on net income.

5
6 7. Respondent's conduct, as more particularly set
7 forth in paragraph 6 above, violated term 5 of his probation and
8 Code section 5062 in that he failed to issue a report which
9 conformed to professional standards upon completion of the audit.

10 8. Respondent's conduct violated term 5 of his
11 probation in that he committed gross negligence in the practice
12 of public accountancy pursuant to Code section 5100(c), as more
13 particularly alleged in paragraph 6 above.

14 9. Respondent's conduct, as more particularly set
15 forth in paragraph 6 above, violated term 5 of his probation in
16 that respondent's report failed to contain a clear-cut indication
17 of the degree of responsibility he was taking with respect to
18 supplemental information in the report in violation of CCR
19 section 58.

20
21 ACCUSATION

22 10. Complainant realleges each and every allegation of
23 paragraphs one through six and incorporates them herein by this
24 reference.

25 11. Respondent's Certificate is subject to
26 disciplinary action pursuant to Code section 5100(c) in that
27 respondent committed acts of gross negligence in the practice of


1 public accountancy, as more particularly alleged in paragraph 6
2 above.

3 PRAYER

4 WHEREFORE, complainant requests that the Board hold a
5 hearing on the matters alleged herein, and that following said
6 hearing, the Board issue a decision:

- 7 1. Revoking or suspending Certificate Number 10705,
8 heretofore issued to respondent;
9 2. Revoking probation, vacating the stay and revoking
10 respondent's certificate;
11 3. Directing respondent to pay to the Board a
12 reasonable sum for its investigative and
13 enforcement costs of this action; and
14 4. Taking such other and further action as the Board
15 deems appropriate to protect the public health,
16 safety and welfare.

17
18 DATED: August 8, 1994
19

20 
21 Carol B. Sigmann
22 Executive Officer
23 Board of Accountancy
24 Department of Consumer Affairs
25 State of California

Complainant

26 KLG:sol
27 03541110-
SD94AD0251

1 DANIEL E. LUNGREN, Attorney General
of the State of California
2 SAMUEL K. HAMMOND,
Deputy Attorney General
3 Department of Justice
110 West A Street, Suite 700
4 San Diego, California 92101
Telephone: (619) 237-7989

5 Attorneys for Complainant
6
7

8 BEFORE THE
BOARD OF ACCOUNTANCY
9 DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA
10
11

12 In the Matter of the Accusation)
Against:)

NO. 585

13 CARL S. ANDERSON)
14 P. O. BOX 3491)
Riverside, CA 92519)

STIPULATION IN
SETTLEMENT AND DECISION

15 Certificate of Certified)
16 Public Accountant No. ET 10705)

17 Respondent.)
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19 Carole M. Sigmann, Executive Officer of the Board of
20 Accountancy of the State of California, by and through her
21 attorney, Daniel E. Lungren, Attorney General of the State of
22 California, by Samuel K. Hammond, Deputy Attorney General, and
23 Carl S. Anderson (hereinafter "respondent"), by and through
24 attorney Ronald G. Skipper, Esq., hereby stipulate as follows:

25 1. The Board of Accountancy, Department of Consumer
26 Affairs (hereinafter "Board") acquired jurisdiction over
27 respondent by reason of the following:

1 A. Respondent was duly served with a copy of the
2 Accusation, Statement to Respondent, Request for Discovery, Form
3 Notice of Defense and copies of Government Code sections 11507.5,
4 11507.6 and 11507.7 as required by section 11503 and 11505, and
5 respondent timely filed a Notice of Defense within the time
6 allowed by section 11506 of the code.

7 B. Respondent has received and read the Accusation
8 which is presently on file as Case No. 585, before the Board.
9 Respondent understands the nature of the charges alleged in the
10 above-entitled Accusation and that said charges and allegations
11 would constitute cause for imposing discipline upon respondent's
12 license to practice heretofore issued by the Board.

13 2. Respondent and his counsel are aware of each of
14 respondent's rights, including the right to a hearing on the
15 charges and allegations, the right to confront and cross-examine
16 witnesses who would testify against respondent, the right to
17 present evidence in his favor and call witnesses on his behalf,
18 or to testify himself, his right to contest the charges and
19 allegations, and any other rights which may be accorded to
20 respondent pursuant to the California Administrative Procedure
21 Act (Gov. Code, § 11500 et seq.), his right to reconsideration,
22 review by the Superior Court and to appeal to any other court.
23 Respondent understands that in signing this stipulation rather
24 than contesting the accusation, he is enabling the Board of
25 Accountancy of the State of California to issue the following
26 order from this stipulation without further process.

27 ///

1 3. Respondent freely and voluntarily waives each and
2 every one of the rights set forth hereinabove.

3 4. Admissions made by respondent herein are for
4 purposes of this proceeding only and any other disciplinary
5 proceedings by the Board and shall have no force and effect in
6 any other case or proceedings. Furthermore, in the event this
7 settlement is not adopted by the Board, the stipulation made
8 herein shall be inadmissible in any proceeding involving the
9 parties to it.

10 5. Respondent stipulates that for the purpose of this
11 stipulation in settlement and decision and any future
12 disciplinary action by the Board, and for no other reason, the
13 Board may deem the allegations contained in paragraphs 4 and 5 of
14 Accusation No. 585 to be true and constitute violations of
15 Business and Professions Code section 5100(c) and respondent
16 agrees not to contest same. A true and accurate copy of
17 Accusation No. 585 is attached as Attachment "A" and herein
18 incorporated by reference as though fully set forth.

19 6. Based upon the foregoing, it is stipulated and
20 agreed that the Board may issue the following as its decision in
21 this case.

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1 demonstrate to the satisfaction of the Board or its designee
2 that he is competent to do school district audits.

3 3B. Following completion of the requirements set forth
4 in paragraphs 3A(i) and 3A(ii), respondent shall be permitted to
5 resume performing school district audits, provided, however, that
6 said work shall be done under the supervision of a CPA acceptable
7 to the Board who shall be responsible for said audits. The
8 supervision requirement shall continue until the Board or its
9 designee determines that supervision is no longer required, and
10 may continue after the period of probation is otherwise
11 completed.

12 4. Respondent shall reimburse the Board for its
13 investigation and prosecution costs in the amount of \$5,998.38.
14 Respondent shall make said payments as follows:

- 15 (a) \$3,600.00 on July 15, 1992.
- 16 (b) \$ 800.00 on September 15, 1992.
- 17 (c) \$ 800.00 on November 15, 1992.
- 18 (d) \$ 798.38 on January 15, 1993

19 5. Respondent shall obey all federal, California,
20 other U.S. states and local laws including those rules relating
21 to the practice of public accountancy in California.

22 6. Respondent shall submit quarterly written reports
23 to the Board on a form provided by the Board.

24 7. Respondent shall comply with all citations.

25 8. Respondent shall make personal appearances and
26 report to the Administrative Committee at the Board's

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1 notification, provided such notification is accomplished in a
2 timely manner.

3 9. Respondent shall cooperate fully with the Board of
4 Accountancy, and any of its agents or employees in their
5 supervision of his compliance with the terms and conditions of
6 this probation including the Board's Probation Surveillance
7 Program.

8 10. In the event respondent should leave California to
9 reside or practice outside this state, respondent must notify the
10 Board in writing of the dates of departure and return. Periods
11 of residency or practice outside the state shall not apply to
12 reduction of the probationary period.

13 11. If respondent violates probation in any respect,
14 the Board, after giving respondent notice and an opportunity to
15 be heard, may revoke probation and carry out the disciplinary
16 order that was stayed. If an accusation or petition to revoke
17 probation is filed against respondent during probation, the Board
18 shall have continuing jurisdiction until the matter is final, and
19 the period of probation shall be extended until the matter is
20 final.

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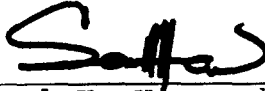
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1 I concur in the stipulation and order.

2 DATED:

Aug 26, 1991

3 DANIEL E. LUNGREN, Attorney General
4 of the State of California

5 

6 Samuel K. Hammond
7 Deputy Attorney General

8 Attorneys for Complainant
9 State of California

10 DATED:

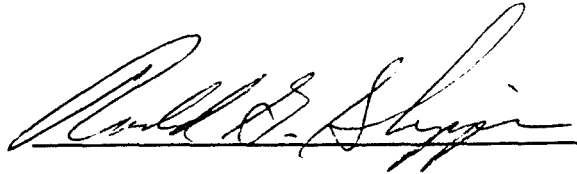
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11 

12 CARL S. ANDERSON
13 Respondent

14 DATED:

8-5-91

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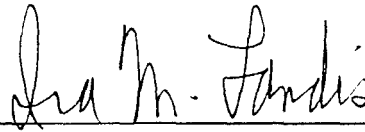
16 RONALD G. SKIPPER, Esq.

17 Attorney for Respondent

18
19 DECISION AND ORDER

20 The foregoing Stipulation and Order in No. 585 is
21 hereby adopted as the Order of the California Board of
22 Accountancy. An effective date of November 28, 1991, has been
23 assigned to this Decision and Order.

24 Made this 28th day of October, 1991.

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27 FOR THE BOARD OF ACCOUNTANCY

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ATTACHMENT "A"

1 JOHN K. VAN DE KAMP, Attorney General
of the State of California
2 ALAN S. METH,
Deputy Attorney General
3 Department of Justice
110 West A Street, Suite 700
4 San Diego, California 92101
Telephone: (619) 237-7224

5 Attorneys for Complainant

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7 BEFORE THE
8 BOARD OF ACCOUNTANCY
9 DEPARTMENT OF CONSUMER AFFAIRS
10 STATE OF CALIFORNIA
11

12 In the Matter of the Accusation) NO. 585
Against:)
13)
CARL S. ANDERSON) ACCUSATION
14 P.O. Box 3491)
Riverside, CA 92519)
15)
Certificate of Certified Public)
16 Accountant No. ET 10705)
17 Respondent.)
18

19 COMES NOW Complainant Della Bousquet, who as cause for
20 disciplinary action, alleges:

21 1. Complainant is the Executive Officer of the Board
22 of Accountancy of the State of California (hereinafter the
23 "Board") and makes and files this accusation solely in her
24 official capacity.

25 LICENSE STATUS

26 2. On or about March 22, 1964, Certificate of
27 Certified Public Accountant No. ET 10705 was issued by the Board

1 to Carl S. Anderson (hereinafter "respondent"), and at all times
2 relevant herein, said certificate was, and currently is, in full
3 force and effect.

4 **STATUTES**

5 3. Business and Professions Code (hereafter "Code")
6 section section 5100 provides that the Board may revoke, suspend
7 or refuse to renew any permit or certificate issued by the Board,
8 or may censure the holder of any such permit or certificate for
9 unprofessional conduct which includes, but is not limited to, one
10 or any combination of the following causes:

11 "(c) Dishonesty, fraud or gross negligence in the
12 practice of public accountancy or in the performance of
13 the bookkeeping operations described in Section 5032."

14 **FACTS**

15 4. On October 7, 1986, respondent prepared an "Audit
16 Report" of an audit of the Val Verde Elementary School District,
17 Perris, California for the year ended June 30, 1986.

18 On October 31, 1986, respondent prepared an "Audit
19 Report" of an audit of the Perris School District, Perris,
20 California for the year ended June 30, 1986.

21 **CHARGES AND ALLEGATIONS**

22 5. Respondent Carl S. Anderson is subject to
23 disciplinary action pursuant to section 5100(c) of the Code,
24 gross negligence, in connection with the two audits described in
25 paragraph 4, as follows:

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1 a. The working papers of the two audits did not
2 contain audit programs for the compliance, internal control, or
3 financial segments of the work.

4 b. There was no documentation in the working
5 paper files for the two audits which would support respondent's
6 reports on the internal controls. There was no documentation:

7 (1) That a preliminary review of the
8 internal control systems was made.

9 (2) That the internal controls were tested.

10 (3) Of the rationale for relying or not
11 relying on the system of internal controls as a basis for
12 substantive tests.

13 (4) Of the scope and extent of testing, if
14 any.

15 c. There was insufficient documentation of the
16 audit testing which was done in support of respondent's report on
17 the financial statements. This deficiency includes:

18 (1) The working papers contained no evidence
19 on the testing, if any, of revenues, cash receipts and
20 disbursements, accumulated vacation benefits, and general
21 obligation bonds.

22 (2) There was only limited evidence of the
23 testing of payroll at the Perris School District and no
24 evidence of testing of payroll at the Val Verde District.

25 (3) The extent of testing of expenditures
26 and the results thereof were not clear.

27 ///

1 (4) There was no evidence that management
2 representation letters were obtained.

3 (5) There was no evidence that respondent
4 issued letters of inquiry to the clients' lawyers or
5 performed other work to ascertain whether there was any
6 litigation pending or other liabilities against the
7 districts.

8 (6) Overall, respondent's working papers are
9 neither clear nor complete.

10 d. There was insufficient evidence of the work
11 done in support of respondent's reports on state and federal
12 compliance. In addition, there was no evidence in the working
13 papers to support respondent's work on:

14 (1) The federal general compliance
15 requirements.

16 (2) The compliance requirements under
17 Chapter 1 of the Education Consolidation and Improvement Act
18 (ECIA).

19 (3) The compliance requirements under
20 Chapter 2 of the ECIA.

21 (4) The compliance requirements under the
22 National School Lunch Program at Val Verde School District.

23 (5) The lottery compliance requirements.

24 (6) The compliance requirement for
25 investment of equipment and program cost accounting except
26 for the Instructional Materials Fund at Perris.

27 ///

1 (7) There was only limited documentation of
2 the testing of the attendance requirements at Val Verde.

3 (8) There was very limited documentation on
4 the testing of the attendance requirements at Perris and the
5 actual work performed, and the conclusions reached are not
6 clear.

7 (9) The extent of testing and the results
8 thereof for the compliance requirements of the National
9 School Lunch Program at the Perris district were not clear.

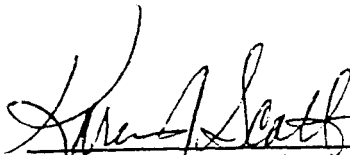
10 e. Respondent did not use due professional care
11 in performing the two audits.

12 WHEREFORE, complainant requests that the Board hold a
13 hearing on the matters alleged herein, and that following said
14 hearing, the Board issue a decision:

15 1. Revoking or suspending Certificate of Certified
16 Public Accountant Number ET 10705, heretofore issued to
17 respondent Carl S. Anderson;

18 2. Taking such other and further action as the Board
19 deems appropriate to protect the public health, safety and
20 welfare.

21 DATED: March 7, 1990

22
23  Acting Executive
24 Della Bousquet
Executive Officer
25 Board of Accountancy
Department of Consumer Affairs
26 State of California

27 Complainant